

The company I work for, Evans Distribution Systems, was started over 78 years ago in Detroit and remains a 4th generation family owned business today. We operate several warehousing facilities in Detroit, Melvindale and Howell and employ about 250 people in the State of Michigan. As someone who is responsible for growing our company, it is extremely distressing to examine the effect the sales tax will have on our company.

The importance of logistics and the role of the warehouse today, is not something that is understood by very many people. Our services go much further than just providing 4 walls to put a box in (testing, inspection, repackaging, transportation, etc...) and businesses from around the world rely on companies like Evans to help them remain competitive. There was a lot of potential for the State of Michigan to attract new businesses and jobs through the logistics industry. The new sales tax eliminates all possibility of this happening and puts an end to important projects, such as The Aerotropolis.

Although we work with many different industries (Food, Beverages, Paper, Robotices, etc...) approximately 75% of our business is with the automotive industry, OEM's as well as Tier 1 and Tier 2 suppliers. Over the last 3 years our margins have been squeezed out of existence, but we've worked hard and have managed to maintain our business thus far by concentrating on cost reductions and improved efficiencies. This embattled industry and our work with it in Michigan cannot survive a 6% service tax.

The majority of our customers, about 80%, are not based in Michigan. They use the state as a distribution point to ship goods into and out of, and it's important to understand that they have many other options for Midwest distribution points. Our main warehouse is only 42 miles away from Ohio and 4 miles from Canada. A 6% penalty on doing business in Michigan will force many of our customers to reengineer their logistics networks and to move some or all of their business to more competitive states. Evans existence may depend on us doing the same thing and following our customers out of Michigan.

Evans' is for the most part considered a small company, yet we alone would be responsible for providing \$1 Million of revenue to the state. Based on the study commissioned by Michigan State University, it is clear the sales tax revenues from the warehousing industry (NAICS 4931) were grossly underestimated, as the study shows revenue nearly 4 times greater than the \$21 million stated in PA 93. Of equal concern, is data from the study showing the anticipated effect on Michigan jobs (loss of almost 13,000 jobs) and the decline in Michigan Income Tax (decrease of \$28 Million).

It's also important to note that a reduction in the amount of warehousing in the state, which will happen should this service tax go into effect, will have a negative effect on other companies that support our industry (job loss and tax loss); trucking companies, labor unions, staffing agencies, forklift repair companies, freight forwarders, industrial realtors, non-asset based 3PL's, real estate investment companies, warehouse supply companies, etc...

As for the replacement tax...In 2006 we paid approximately \$122,000 in SBT. Our accountants have told us that the new MBT amount would be around \$137,000, an increase of over 12%. We have very small amounts of personal property, and what we do have is not considered industrial, therefore we do not benefit from the PPT credits that are designed to offset the MBT. A 12% increase in taxes in these tough times will be difficult enough to swallow, so an additional increase to this tax could continue to be damaging for our company.

We are being forced to choose between a use tax for our customers and another tax increase for our business. In reality, Michigan businesses like Evans cannot afford either, although we consider the MBT to be the lesser of the two evils. The bottom line is that the sales tax on services is a threat to my company, my job and the jobs of all the other employees at Evans, and most importantly to the entire State of Michigan.

Thank you,

Julie Thomas
Marketing & Sales Manager
Evans Distribution Systems
Melvindale, MI

